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Date: 12/7/2000

GAIN Report #RS0060

## **Russian Federation**

### **Sugar**

# **Russian Sugar Tariff Rate Import Quota Auction 2000**

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#### **Report Highlights:**

On November 27, 2000, Russia auctioned import rights to companies under its 3.65 million MT tariff rate quota regime. Given, auction sales prices for quota rights, and anticipated supply shortages, many experts predict an increase in Russian domestic sugar prices.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow [RS1], RS

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## Executive Summary

On November 27, 2000, Russia auctioned off quota rights to import 3.65 million MT of raw cane sugar. All lots available were sold, as the GOR generated some \$214 million from the auction. As a result of the auction, most Russian experts predict that sugar production and retail prices will increase this season.

## Russia Auctions Tariff Rate Sugar Import Quotas

According to Igor Yusov, Executive Secretary of the Commission of Tenders and Auctions for Selling Export and Import Quotas, the auction of tariff rate import quota rights for 3.65 million MT of raw sugar generated \$214 million. The majority of purchasers were well known sugar trading companies which are also indirectly involved in sugar production. Import quotas were auctioned off in lots of 25,000 MT each, to be distributed over quarters in 2001. Imports not subject to the quota will be dutied at 30 percent (but, no less than 90 euro per MT) beginning December 16, 2000. In contrast, imports within the quota will only be charged a 5 percent duty. According to press information, some 90 percent of lots, which are to be distributed over the first three quarters of 2001, were sold at an average price of \$60 per MT; while the average price for lots to be distributed during the final quarter of 2001 was about \$47 per MT. Purchasers of lots expressed disappointment at the high auction prices, and are requesting additional protection from the government. According to them, the price of importing within the tariff rate quota will be roughly the same as the price of importing outside the quota. Therefore, they propose that the GOR increase the specific duty component of the tariff, or change the tariff rate from euros to dollars for those who did not purchase lots.

## Impact of the Quota Auction on Russian Sugar Prices

Many sugar experts believe that the auctioned lots do not represent a sufficient volume to satisfy demand for imported raw cane sugar in Russia. Therefore, sugar prices will increase as a result of the sugar auction. On the production side, the high auction prices for lots indicate that the cost of producing white (refined) sugar will increase. As a result, the retail price of sugar could jump 65 - 90 cents during the 2000/2001 season. This could lead to an increase in the amount of imported white sugar. Furthermore, according to one participant, the auction prices were high enough to allow raw sugar imported outside the tariff rate quota (taxed at 30 percent) to compete in the market.

**Table 2: Distribution of lots and average prices, by quarters**

	Number of lots	Minimum price per ton	Maximum price per ton	Average price per ton
QI	46	\$53.68	\$65.50	\$55.12
QII	60	\$57.08	\$64.75	\$61.64
QIII	24	\$60.49	\$63.05	\$62.02
QIV	16	\$43.45	\$54.53	\$47.14
TOTAL	146	\$43.45	\$65.60	\$58.19

Source: Vedimosti Newspaper

**Table 1: Purchasers of Sugar Import Quota Lots, by Quarters**

<b>The Auction Sale of Raw Sugar Cane Tariff Quota Rights (by quarters and average prices)</b>								
	Ist quarter		II quarter		III quarter		IV quarter	
Company	Volume 1,000MT	Average price per ton	Volume 1,000MT	Average price per ton	Volume 1,000MT	Average price per ton	Volume 1,000MT	Average price per ton
Prodimex	125	\$54.87	375	\$62.14	150	\$61.77	100	\$46.86
Rusagro	200	\$54.85	325	\$62.39	100	\$62.20	100	\$46.01
Sukden	150	\$53.96	225	\$61.44	75	\$62.48	25	\$43.45
Euroservice	150	\$55.10	150	\$60.49	25	\$62.20		
Rasgulyai	75	\$53.96	150	\$62.20	50	\$62.62	25	\$46.01
Oreltransneft	75	\$55.66	50	\$63.05			100	\$48.35
Exema	75	\$54.24	50	\$60.92			25	\$54.53
Vesta	25	\$54.53	50	\$60.49	25	\$62.20		
Cargill	25	\$53.68			50	\$61.34		
Tatneft-Volga	25	\$53.68	25	\$64.75	25	\$62.20		
E D and F Men Ltd			25	\$60.49	25	\$61.34		
Russian Sugar Trading Industry Company	25	\$54.53			25	\$62.20		
Astana	25	\$53.68	25	\$63.90				
John Lion	25	\$64.75			25	\$62.20		
Unisugar					25	\$61.34		
Region-Trade	25	\$54.53						
Russian Sugar							25	\$46.01
Sarus	25	\$65.60						
Sakharprominvest			25	\$61.34				
CIM Group Ltd	25	\$53.68						
Glenkor	25	\$53.68						
Zolotoi Kolos			25	\$64.75				
Klearing	25	\$59.64						
Lukoil -Market- Sakhar	25	\$54.53						
<b>TOTAL</b>	<b>1150</b>	<b>\$55.12</b>	<b>1500</b>	<b>\$61.64</b>	<b>600</b>	<b>\$62.02</b>	<b>400</b>	<b>\$47.18</b>

Source: Vedimosti Newspaper